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TRENDS OF ENTERPRISES' INVESTMENT DEVELOPMENT IN THE UKRAINIAN MARKET OF INFORMATIONAL TECHNOLOGIES

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Abstract: The paper considers the analysis of the enterprises' investment trends for the development in Ukrainian market of informational technologies. The most negative factors that restrain the investment development of the IT market in Ukraine are revealed. The measures of government support of investment development of IT market are determined. The imperfection of the legislative framework is identified as one of the main factors that significantly limit the venture financing development. The measures of improving the situation and increasing the interest in the IT sector investing are proposed.

Keywords: investment development, market, informational technologies, venture capital investment, business angels

INTRODUCTION

Nowadays in Ukraine, there is a high growth rate of informational technologies. However, Ukraine is still lagging behind not only the leaders of world progress, but also the countries of Central and Eastern Europe, by the level of informational technologies use in the economy, public administration and public life. In order to enter the group of states with a developed IT branch, it is necessary to maintain high rates of its growth. In the absence of successive steps taken by the state, the growth of the industry will inevitably slow down and the lag will be maintained.

Therefore, a set of measures aimed at maximizing the use of favorable factors of investment development of the IT market and removing existing barriers will help to stimulate effectively the further growth of the Ukrainian IT market. Further research into the investment activities management is necessary to achieve significant success in the investment sector. In addition, this is one of those spheres of Ukrainian economy, which will influence on the further development of the state and rapid integration into the global economic space.

MATERIALS AND METHODS

The methodological basis of our research is a dialectical method of scientific knowledge, while general scientific and special methods of research were used. The basic results of research have been received with using of methods of the analysis and synthesis, abstract-logical, deductive and systemic analyzes on the basis of the Laws of Ukraine and the official data of the State Statistics Service of Ukraine.
It should be noted that various aspects of investing have already been the subject of the attention such researches as D. Tobin, J. Bailey, P. Drucker, V. Sharp, P. Kukhta, V. Basilievičh, A. Stepanova, T. Mayorova, V. Fedorenko, D. Chervanov et al. Further research on investment management issues is very important to achieve significant success in the investment sector, which is one of those spheres of economy that influences on the development of Ukraine and rapid integration into the global economic space.

RESULTS

The main problem of realizing the investment development of IT market is the gap between two the most important stages of innovation, i.e. scientific researches and mass production using their results. The essence of modern venture business is that innovative ideas are invested at the stage of the absence of not only the company itself, but more often, of the business plan. Despite this specificity, the Ukrainian IT market needs to stimulate the investment flow, since it is still very weak. The main steps that can be taken to promote the venture investment development in IT are the expansion of the scientific and educational base and the strong research sector; creation and active financial support of powerful scientific schools, research centers; improvement of the mechanism of financial institutes and markets functioning for insurance and pension sectors; creation of well-regulated, reliable stock market; political and macroeconomic stable situation; stimulating demand for IT products.

In leading countries, IT development leads to the directing of investment in highly risky innovation area. Based on our research, we identified the largest negative factors that hold the investment development of IT market in Ukraine. They should be the objects of influence of both the state and the IT sector, i.e. interested representatives of investment objects to feel the recovery of investment flows into the IT sphere:

1. Weak legislative framework. The term "venture business" has been found in a number of legislative acts for several years, but the definition of the essence, functions, principles of activity of venture funds and venture companies is still not defined.

2. Lack of sources for investment financing. According to the current legislation, individuals and institutional investors (investment and pension funds, insurance companies) cannot invest in venture funds and this significantly reduces the potential investment base for venture capital investments.

3. The weakness of the stock market and the lack of guarantees for a venture investor that would limit his risks. We are talking about convertible preferred shares and bonds.

4. The underdevelopment of the informal sector of the venture business, which is represented by business angels. They are private individuals and finance projects at an early stage of their development.

5. The deterioration of the situation in the sector of scientific knowledge generation. There is a lack of financing and degradation of the main scientific schools, the apparent loss of research sector communication with the real needs of the economy and production. It shows weak support for the educational development of young people in IT sector, new professional staff and the inability to stimulate their interest.
6. Lack of venture capital investment in "quality" projects, which are determined by a powerful marketing strategy and potential market capacity, i.e. there is insufficient number of projects with high economic potential, attractive for venture investors.

7. Lack of professionals on the venture management, who possess technologies for identifying and evaluating the innovative projects and are able to provide stable financing during the early stages of project development. This factor is linked to the lack of an educational base available in Ukraine, as well as the wide opportunities for practical learning of IT business functioning and the mechanism of venture capital investment.

8. The weakness of the institute for the protection of intellectual property and its commercialization.

9. The general unfavorable government policy to stimulate innovation processes, the absence of a clear policy to promote the development of venture business by the government, the lack of economic interest of the majority of economic entities in the implementation of fundamentally new ideas, innovations of high technical and economic level. Existing control schemes only worsen the situation, since existing corruption bureaucratic schemes do not allow free implementing of any innovative programs.

10. The inefficiency of tax policy, viz. the high level of tax, which does not take into account the competitiveness and novelty of products.

11. High interest on a loan.

12. Lack of economic incentives for attracting the direct investments into high-tech enterprises that provide acceptable risk for venture capital investors.

13. Insufficient informational support of the venture industry, lack of venture capital investment infrastructure and consequently, lack of healthy competition for this sector, which only contributes to the progressive development of ideas.

It is necessary to emphasize the government support of investment development of the IT market. It can be divided into direct (specific mechanisms of government support aimed at increasing the supply of venture capital. They have form of financial incentives or public investment in share capital and government loans) and indirect (include the development of competitive stock markets, the expansion of the range of financial products, the development of long-term capital sources, simplifying the procedure for the formation of venture capital funds, stimulating interaction between large and small enterprises and financial institutions, encouraging entrepreneurship).

Taking into account the imperfection of the legislative framework as one of the main factors that significantly limit the development of venture financing, we believe that it is extremely important to analyze legislative initiatives in this area, viz. the draft Law of Ukraine "On Venture Funds of Innovation Development" created by the State Agency of Ukraine for Investments and Innovations. The bill for the first time in Ukraine attempts to determine the legal framework for the creation of a new financial tool that would ensure the direction of investment flows into innovative sectors of the economy. The venture funds of innovation development can become this tool. This document states that venture funds of innovation development can invest in corporate rights and debt obligations of innovative enterprises; joint ventures created for the implementation of projects of industrial and scientific parks; enterprises
of innovation infrastructure. The founders and participants (shareholders) of the venture fund of the innovation development may be individuals and legal entities, residents and non-residents, as well as the state and territorial communities. The assets of venture funds of the innovation development may consist of corporate rights, debt obligations, and real estate and property rights of intellectual property. Venture funds of the innovation development can receive the government support in certain forms. Venture funds of the innovation development invest in innovative programs and projects, new knowledge and intelligent products, production equipment and processes, infrastructure of production and entrepreneurship, etc.

The draft of the Law of Ukraine "On Venture Funds of Innovation Development" will provide new opportunities for the development of venture capital investment, wider investment attraction into the country's economy and implementation of innovative projects in Ukraine. It was developed in accordance with the laws of Ukraine "On Joint Investment Institutions (corporate and unit investment funds)" and "On Innovative Activities". It takes into account the recommendations of the European Venture Capital Association and the EU Directives on Collective and Venture Capital Investments. Nowadays, Ukrainian venture capital does not invest in innovative projects, because investments in certain sectors of the traditional economy have a high level of returns in relatively short terms of investment and a low level of risk; the organizational form of venture funds performs the "instrumental" function that allows optimizing taxation in a legitimate way.

It is reasonable to assume that the implementing of the abovementioned law will improve the government's policy of the venture capital development and stabilize the economic situation in Ukraine. Another measure that can be proposed to the government is the creation, legitimization and regulation of the venture financing industry, which in western countries acts as an integral part of the economic mechanism and develops in accordance with the needs of innovative production.

Another necessary governmental measure for the effective investment in IT areas is developing the venture-financing infrastructure. The decisive role in the development of infrastructure belongs to the government, because the commercialization of this sphere involves significant cash flows. Elements of infrastructure will be stock exchanges, audit firms, engineering firms, "incubators" of venture business, etc. Unfortunately, there are almost no such institutes in Ukraine or they do not function de facto. "Incubators" are able to form a favorable business environment with a whole range of scientific-production, organizational and financial services. They can be created at scientific and educational institutions, whose activities should include scientific counseling, preliminary examination of projects, financial support through venture capital, state subsidies, etc. However, the main task of the state is to ensure the connection of such institutions with investors, the availability of information flows to and from investors, so that information about new opportunities does not stagnate and lose its commercial value.

In Ukraine, also with the participation of the state, it is necessary to create new forms of management of the cycle "science – technology – production", which includes industrial parks and technopoles. In the modern world, industrial parks
and technopolices have significant role in implementing the mechanism of accelerating scientific and technological progress and investing in the field of high technologies. The creation of techno parks specializing in IT is possible and effective in many areas, depending on the functions, scope and level of collaboration. We suggest that in Ukrainian cities, which have a strong scientific and technical potential, it is necessary to create techno parks in the form of agglomerations of high-tech firms and production enterprises, which are grouped around scientific centers.

In addition, it is necessary to implement legislative and normative measures in order to revitalize the activity of the so-called "business angels". It is worth noting the differences between direct investment funds, venture funds and business angels. Forms of direct investment have a lucrative or profitable business, and money investments are spent on expansion or diversification of business. There has already become a property structure, management, accounting and audit. Business is well predictable. Therefore, in comparison with venture funds, the risks in this business are smaller, and investors willingly go there (Petruk & Moshensjkyj, 2008). For business angels, the situation is different. The specifics of the "business angels" sector are that business angels act in the riskiest situations, where even venture funds do not reach. Business angels are called "angels" because they invest in the company funds at the seed-stage, when few want to carry out high risky investments. Business angel trusts not financial indicators, but people, their enthusiasm, faith and the ability to bring the project to the end. In general, the basic principle of business angel investment can be expressed in three terms: faith, calculation and team spirit.

In Ukraine, this sector is at an early stage of development. Business angels are not yet identified as entities of economic life, neither by government nor by society. Many individuals and legal entities that could become business angels invest in promising seed-stage projects are not yet aware that this is a highly profitable investment sector. The insignificant experience of venture investments made by "business angels" in Ukraine and a number of unresolved legislative and regulatory problems inhibit the development of investment of business angels as a phenomenon in the market of Ukrainian venture investments. In order to overcome the situation, it is necessary to create the most comfortable conditions for venture investments and the functioning of small innovative companies, as well as for the formation of a pool of competent managers of venture funds using the experience of other countries.

DISCUSSION AND CONCLUSION

Based on the research, it can be noted that the venture capital market in Ukraine is in the formation stage. Unfortunately, there is currently no well-coordinated and comprehensive system for managing innovation processes in Ukraine. Such a system must be created using existing and introducing new elements and especially promote the development of the venture business, which will be the main impetus for investment attraction. Consequently, we considered the main negative factors of the existence of the Ukrainian IT sector and the problem of its investment development. Accordingly, a number of measures were proposed to improve the situation and increase the
interest in the IT sector investing, the main of which are the implementation of a permanent governmental support to venture capital business; introduction of new, more flexible schemes of tax incentives for innovation; regulation of the intellectual property protection system of Ukrainian researchers and entrepreneurs, including through governmental support of international patents for the most perspective development and introduction of more effective protection of intellectual property against violations; implementation of financial incentives for investing in venture funds, small and medium-sized innovative enterprises; creation of the necessary conditions for the development of informal venture financing, which is important in the early stages of the enterprises' development; the development of the innovative infrastructure, viz. techno parks, business incubators, technology transfer centers and venture funds; conducting of innovative competitions, expert councils, venture fairs of the national and regional level; holding venture forums (fairs) in Ukraine that will enable small and medium-sized companies interested in attracting investments for the development of their business, attract the attention of a wide range of investors, establish contacts and business relations with possible business partners.

REFERENCES